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## Security

# MetaData: The Rising Price Of Data Breaches

Andy Greenberg, 02.02.09, 12:00 AM ET

More bad news in the world of data security: Companies aren't just losing more of their customers' private information than ever before. Customers are also losing patience with those increasingly common breaches.

According to a report released Monday by the Ponemon Institute and funded by encryption firm PGP, the cost of a data breach for companies has risen to \$202 per lost record, up from \$197 in the institute's 2007 study. For the 47 companies audited in the study, those costs added up to \$6.6 million per incident.

A growing portion of that financial hit comes from angry or distrustful customers. While data breach costs for detection, notification of victims and credit monitoring services all fell during the last year, the cost of lost business per exposed record grew to an average of \$139 per company from \$128 in 2007, as customers stopped dealing with businesses they considered negligent with regard to data security.

The rising impact of data breaches may reflect the growth in the sheer volume of publicly reported data breaches in 2008, dramatically more than the year before, according to data tracked by the Identity Theft Resource Center. In 2008, 646 breaches were reported, up from 446 in 2007. The turbulent financial industry was especially affected: More than half the records lost in 2008 came from banks and financial services, up from 7% the year before. (See "[Banking's Data Security Crisis](#)."

According to the Ponemon study, those bank breaches may be even more costly than the average. While 3.5% of customers typically abandon a company that's experienced a breach, 5.5% of customers flee from financial services companies after a data loss incident. The health care industry shows the highest cost of lost business, with 6.5% of customers abandoning a breached company.

"Businesses that depend on a strong sense of trust have to be especially careful," says Larry Ponemon, founder of the eponymous research group. "They're on a high pedestal, and they experience a much harder fall."

That may be an especially sobering thought for Heartland Payment Systems, which revealed two weeks ago that it had been the victim of a hacking incident that siphoned off credit card numbers from its network. Given that the company processes 100 million transactions a month and hasn't yet revealed the duration that its network was compromised, the breach may be the biggest--and the costliest--of all time.

### See Also:

[Banking's Data Security Crisis](#)

[Metadata: Data Security's Worst Year Yet](#)

[Putting A Price On Cyberspying](#)